

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6859

BILL NUMBER: HB 1088

NOTE PREPARED: Feb 11, 2003

BILL AMENDED: Feb 10, 2003

SUBJECT: School Bonds for Retirement or Severance Liability.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill extends the sunset date for issuance of school corporation bonds for retirement or severance liability from December 31, 2003, to December 31, 2004. It provides that the total amount of bonds issued for this purpose may not exceed 2% of the total true tax value of property in the school corporation. The bill specifies that the school bus replacement fund is one of the funds that the school corporation may reduce in order to satisfy the requirement to reduce its total property tax levy in an amount equal to the levy for debt service on the bonds.

Effective Date: July 1, 2003; December 31, 2004.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) The Department of Local Government Finance has approved 48 retirement or severance bonds totaling \$219,416,615 for local schools during CY 2001 and CY 2002. Approximately 88% of the bonds were approved during CY 2002. With the extension of the sunset clause, an additional 40 to 50 schools might use the bonding procedure. Schools are required to reduce their levies in other school funds by an amount necessary to fund the bond issue.

The provision that limits the bonds to 2% of the total true tax value of property would triple the amount of

bonding authority over current law. The current law limits the bonds to 2% of assessed valuation which is defined as 1/3 of the true tax value for this purpose. It is unknown the number of schools that would utilize the increased bonding authority.

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State Agencies Affected:

Local Agencies Affected:

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